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FM SECSTATE WASHDC

TO AMEMBASSY SUVA

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMEMBASSY CANBERRA

AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

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AMEMBASSY COLOMBO

AMEMBASSY NEW DELHI

AMEMBASSY KATHMANDU

AMEMBASSY JAKARTA

AMCONSUL HONG KONG

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MANILA FOR USADB

FOLLOWING REPEAT RANGOON 02237 ACTION SECSTATE INFO MANILA 1550

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DATED JUN 21:

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E.O. 11652: N/A

TAGS: EGEN, ETRD, BEXP, ADB, BM

SUBJECT: U.S. PROCUREMENT FROM ASIAN DEVELOPMENT BANK

REF: STATE 155300

SUMMARY: SALES OF U.S. GOODS TO BURMA THROUGH ADB PROJECTS ENJOYED A TREMENDOUS UPSURGE IN THE PAST TWO YEARS. THIS WAS DUE LARGELY TO MORE COMPETITIVE PRICES FOR U.S. PRODUCTS FOLLOWING THE DEPRECIATION OF THE DOLLAR AND TO THE FACT THAT TWO LARGE ADB PROJECTS REQUIRING HEAVY CONSTRUCTION EQUIPMENT ENTERED THE PROCUREMENT STAGE LAST YEAR. THE EMBASSY ENDORSES THE SUGGESTION THAT A STUDY OF COMPLETED ADB PROJECTS BE UNDERTAKEN TO DETERMINE HOW WE CAN BETTER PROMOTE FUTURE PROCUREMENT FROM U.S. SUPPLIES. THE STUDY MIGHT REVIEW HOW AND WHEN POTENTIAL U.S. SUPPLIERS WERE NOTIFIED OF SALES OPPORTUNITIES GENERATED BY ADB-FINANCED PROJECTS. WE BELIEVE THE MOST CRUCIAL STAGE OF THE SELLING PROCESS UNDER IFI-FINANCED CONDITIONS COMES AT THE TIME TENDER SPECIFICATIONS ARE WRITTEN, AND THIS IS THE TIME POTENTIAL U.S. SUPPLIERS SHOULD CONCENTRATE THEIR SALES EFFORTS. WE ALSO SUGGEST THAT COMMENTS ON PROPOSED ADB PROJECTS FOR NAC ACTION BY USADB AND THE EMBASSY CONCERNED SHOULD INCLUDE A SECTION ON THE COMMERCIAL OPPORTUNITIES THE PROJECT COULD OFFER FOR U.S. SUPPLIERS. END SUMMARY.

1. DURING THE PAST BURMESE FISCAL YEAR (APRIL 1, 1977 - MARCH 31, 1978) ADB-FINANCED PROJECTS HAVE BEEN RESPONSIBLE FOR A LARGE VOLUME OF BURMESE PROCUREMENT FROM U.S. SUPPLIERS. ORDERS FROM BURMA FOR U.S. SOURCED GOODS PLACED UNDER ADB-FINANCED PROJECTS LIMITED OFFICIAL USE

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TOTALED \$15,032,189. BURMESE ORDERS FOR U.S. GOODS PLACED UNDER IDA-FINANCED PROJECTS TOTALED \$4,861,594 OVER THE SAME PERIOD; THE EMBASSY HAS BEEN UNABLE TO OBTAIN FIGURES ON THE TOTAL VALUE OF BURMESE PROCUREMENT UNDER ADB OR IDA FINANCED PROJECTS DURING THE PAST FISCAL YEAR, BUT WE ESTIMATE THAT U.S. SUPPLIERS ACCOUNTED FOR ABOUT 35 PERCENT OF THE ORDERS FINANCED BY ADB LOANS AND ABOUT 25 TO 30 PERCENT OF THOSE FINANCED BY THE IDA. THE FIGURES REFER TO ORDERS PLACED DURING THE PERIOD NOT TO ACTUAL DELIVERIES OF EXPORTS. THE EXPORTS ARE SPACED OVER ABOUT A TWO-YEAR PERIOD BEGINNING LAST YEAR.

2. TWO YEARS AGO (BURMESE FY ENDING MARCH 31, 1976) THE EMBASSY DID A SIMILAR STUDY OF BURMESE ORDERS PLACED UNDER IFI-FINANCED PROJECTS. DURING THAT YEAR U.S. SUPPLIERS WON \$5,283,060 WORTH OF ORDERS UNDER IDA LOANS AND NONE UNDER ADB-FINANCED PROJECTS. TOTAL VALUE OF BURMESE ORDERS PLACED UNDER IDA FINANCING IN THAT YEAR WAS \$12,393,921. THUS, U.S. SUPPLIERS WON NEARLY 43 PERCENT OF THE IDA-FINANCED MARKET. HOWEVER, AN ADDITIONAL \$12,425,326 WORTH OF ORDERS WERE PLACED UNDER ADB-FINANCED PROJECTS AND AS U.S. SUPPLIERS WON NONE OF THESE CONTRACTS, THE U.S. SHARE OF TOTAL IFI-FINANCED PURCHASES IN BURMESE FY 1976 WAS ABOUT 21 PERCENT.

3. THE VAST UPSURGE IN ORDERS FOR U.S. GOODS UNDER ADB-FINANCED PROJECTS IS DUE TO SEVERAL FACTORS. PERHAPS THE MOST IMPORTANT OF WHICH IS THE DEPRECIATION OF THE DOLLAR, PARTICULARLY VIS A VIS THE YEN. THIS MADE U.S. EQUIPMENT MORE ATTRACTIVE AND COMPETITIVE. ALSOFA TWO ADB-SPONSORED PROJECTS CAME ON STREAM LAST YEAR WHICH REQUIRED EARTH MOVING AND HEAVY CONSTRUCTION EQUIPMENT, AN AREA WHERE U.S. SUPPLIERS ARE MOST COMPETITIVE. THE TWO PROJECTS ACCOUNTED FOR THE FOLLOWING VALUE OF ORDERS FROM U.S. SUPPLIERS:

PROJECT	VALUE OF ORDERS FROM U.S.
RANGOON WATER SUPPLY (PUGYI RESERVOIR)	8,401,859
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ADB LOAN NOS. 162-BUR(SF) AND 163-BUR SEDAWGHI MULTIPURPOSE DAM	6,630,330
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ADB LOAN NO. 266-BUR(SF)

THE EQUIPMENT SUPPLIED OUT OF THE U.S. FOR THESE TWO PROJECTS INCLUDES 55 SCRAPERS FROM JOHN DEERE CO. AND \$4.6 MILLION WORTH OF EQUIPMENT (MANILY CRAWLER TRACTORS) FROM CATERPILLAR.

4. FOLLOWING THE SURVEY MADE TWO YEARS AGO, THE EMBASSY BEGAN TO CONCENTRATE EFFORTS ON PROMOTING U.S. SALES UNDER ADB-FINANCED PROJECTS. WE WORKED CLOSELY WITH LOCAL REPRESENTATIVES OF U.S. FIRMS IN A POSITION TO BID ON ADB-FINANCED TENDERS. DURING INFORMAL DISCUSSION WITH GUB END-USING AGENCIES, WE MADE KNOWN OUR CONCERN THAT THE U.S. FIRMS HAD FAILED TO OBTAIN CONTRACTS FOR GOODS FINANCED BY ADB LOANS, AND WE PROVIDED CATALOGS, BROCHURES AND OTHER INFORMATION TOPHESE AGENCIES WHEN THEY WERE DRAWING UP SPECIFICATIONS FOR TENDERS. WE WOULD LIKE TO THINK THAT THESE EFFORTS CONTRIBUTED IN SOME SMALL WAY TO THE SUCCESS U.S. FIRMS ENJOYED IN WINNING ADB-FINANCED CONTRACTS.

5. SALES VALUE OF U.S. EQUIPMENT ORDERED UNDER IDA-FINANCED PROJECTS DECLINED SOMEWHAT FROM THE FIGURE REACHED TWO YEARS AGO. THIS WAS DUE MAINLY TO THE FACT THAT MOST IDA PROJECTS IN BURMA HAD PASSED THE "TENDER ISSUEING STAGE". TWO IDA PROJECTS ACCOUNTED FOR THE ORDERS FROM U.S. SUPPLIERS:

PROJECT	VALUE OF ORDERS FROM U.S.
FORESTRY I	\$1,314,667
PADDY DEVELOPMENT I	3,546,927
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THE PADDY DEVELOPMENT PROJECT AGAIN REQUIRED EARTH MOVING AND HEAVY CONSTRUCTION EQUIPMENT FOR WHICH U.S. FIRMS ARE TRADITIONALLY COMPETITIVE. THE ORDERS UNDER THE FORESTRY PROJECT CONSISTED ALMOST ENTIRELY OF SPARE PARTS FOR EQUIPMENT WHICH HAD BEEN PREVIOUSLY PURCHASED FOR THE PROJECT FROM U.S. SUPPLIERS.

6. FOR THE COMING YEAR IDA-FINANCED PROJECTS IN BURMA WILL PROBABLY GENERATE FEWER SALES OPPORTUNITIES AS THESE PROJECTS HAVE LARGELY PASSED THE PROCUREMENT STAGE AND NO NEW LARGE PROJECTS WILL REACH THAT STAGE. UNDER ADB LOANS, A FORESTRY PROJECT IS JUST ENTERING THE PROCUREMENT STAGE, AND WE ESTIMATE THAT THIS PROJECT ALONE WILL RESULT IN A MINIMUM OF \$6 MILLION WORTH OF ORDERS FROM U.S. SUPPLIERS.

7. AS FOR MEASURES TO IMPROVE U.S. SALES UNDER IFI-FINANCED PROJECTS, WE BELIEVE A DETAILED REVIEW OF COMPLETED ADB-FINANCED PROJECTS AS SUGGESTED IN REFTTEL WOULD BE HELPFUL IN DETERMINING WHAT CAN BE DONE TO PROMOTE FUTURE PROCUREMENT FROM U.S. SUPPLIERS. FULL DETAILS ON THESE PROCUREMENTS MAY NOT BE READILY OBTAINABLE IN BURMA, BUT ENOUGH INFORMATION MIGHT BE AVAILABLE TO PROVIDE SOME INSIGHT INTO THE PROBLEMS INHIBITING GREATER U.S. SALES UNDER THESE LOANS.

8. AS IFI-FINANCED PROCUREMENTS MUST BE TENDERED TO ALL MEMBER COUNTRIES, WE HAVE FOUND THAT THE MOST CRUCIAL STAGE IN THE SALES PROCESS COMES AT THE TIME EQUIPMENT SPECIFICATIONS ARE DRAWN..: EITHER BY ACCIDENT OR DESIGN SPECIFICATIONS CAN BE DRAWN IN SUCH A WAY AS TO EXCLUDE CERTAIN SUPPLIERS; OR DRAWN SO LOOSELY THAT INFERIOR, LOW-PRICED EQUIPMENT (THE TYPE NOT USUALLY MANUFACTURED IN THE U.S.) IS INCLUDED. POTENTIAL U.S. SUPPLIERS SHOULD BECOME ACTIVELY INVOLVED IN PROMOTING THEIR PRODUCTS AT THIS STAGE. THIS IS THE TIME TO ENSURE THAT THE SPECIFICATIONS ARE NOT BIASED TOWARD THE OUTPUT OF ONE SUPPLIER OR COUNTRY WHILE AT THE SAME TIME ENSURING THAT QUALITY IS GIVEN FULL CONSIDERATION. ONCE TENDERS HAVE BEEN ISSUED (THE TIME THE MOST

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U.S. FIRMS BECOME AWARE OF THE OPPORTUNITY), THERE IS LITTLE LEFT IN THE SALES PROCESS OTHER THAN PRICE AND DELIVERY DATE NEGOTIATIONS. HENCE, THE STUDY MIGHT WISH TO REVIEW HOW AND WHEN U.S. FIRMS WERE NOTIFIED OF THE OPPORTUNITY AND HOW TO BETTER BRING U.S. SUPPLIERS INTO THE PROCESS AT THE TIME TENDER SPECIFICATIONS ARE BEING WRITTEN.

9. WE ALSO SUGGEST WHEN USADB AND EMBASSIES COMMENT ON A PROPOSED ADB PROJECT FOR NAC ACTION THAT THESE COMMENTS INCLUDE A SECTION ON THE SPECIFIC COMMERCIAL OPPORTUNITIES THE PROJECT MAY HAVE FOR U.S. SUPPLIERS AND IF POSSIBLE, AN ESTIMATE AS TO WHEN TENDERS MIGHT BE PREPARED. THESE COMMENTS SHOULD THEN BE ROUTINELY ROUTED TO USDOC. IN THIS CONNECTION, IT WOULD BE HELPFUL IF EMBASSIES COULD HAVE LONGER LEAD TIME AND HAVE THE PROJECT DOCUMENTS IN HAND BEFORE THEY ARE REQUIRED TO SUBMIT COMMENTS TO WASHINGTON. BEAN UNQTE VANCE

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